Transportation Authority of Marin

February 8, 2006

TO: Transportation Authority of Marin Commissioners

FROM: Dianne Steinhauser, Executive Director

RE: TAM Benefit Options and Human Resources Choices, Agenda Item 5

Dear Commissioners:

Executive Summary

At the TAM Board meeting of December 15th, approval was received for TAM staff to proceed on the hiring of two critical permanent positions within the TAM permanent staffing structure: the Finance Manager, and the Clerk to the Board/Executive Assistant. With the hiring process underway, it has become paramount to adopt a suite of benefits that will enable the TAM Executive Director to hire permanent staff, as offers cannot be made unless a benefit package has been adopted by the Board. To that end, staff is presenting for the Board's consideration, options to consider regarding benefits, insurance, and human resource management. **Recommendation: that the Board give consideration to the most efficient strategy of using Local Government Services/Regional Government Services (LGS/RGS), a Joint Powers Authority, to act as the Employer of Record, provide necessary agency insurance and human resource services. The Board directs staff to negotiate a contract/ contract amendment with LGS with approval by the Board at a future meeting.**

Over the past 6 months, TAM staff has explored a variety of employee benefit and human resource self-administration options. In being able to proceed on hiring staff, TAM will need to have in place the following mandatory elements:

- all mandatory insurance requirements including Worker's Compensation Insurance, Errors and Omissions insurance, Commercial General Liability Insurance
- health and retirement benefits
- required personnel policies and procedures

TAM's current Executive Director has not been hired as a direct employee of TAM, but rather has been hired through Local Government Services, a Joint Powers Authority. LGS Executive Director, Richard Averett, has established a model thru LGS whereby small agencies can temporarily or even permanently hire staff, obtain the necessary insurance, and provide for the full range of necessary human resource services in a more efficient fashion, freeing up management staff to deal with more pressing agency start-up and ongoing administrative issues.

Staff presents here a comprehensive look at the costs to TAM of self-administering human resources services as the Employer of Record and, provides comparisons to continuing to use LGS/RGS for these necessary administrative functions.

Insurance Must-Haves

In order to be able to serve as the Employer of Record, there are a number of mandatory insurance elements that TAM must have in place:

Workers' Compensation Insurance
Error & Omissions Insurance (professionals)
Professional Liability Insurance (elected officials)
Commercial General Liability
Occurrence coverage
State Unemployment Insurance

TAM has obtained quotes for these options and included these in the cost comparison. TAM's current coverage through LGS for its Executive Director including Worker's Compensation, Professional Liability/ Errors and Omissions, and General Liability. What TAM does NOT have is Professional Liability/ Errors and Omissions insurance for its Board members. TAM will seek to get this insurance as soon as the Board acts on an insurance and benefits package, as it is necessary for the Board to have. The cost of this, estimated at around $4000 annually will be an added cost to EITHER the TAM self-Administer OR the LGS option of administering TAM's benefits and human resource needs.

Benefit Must-Haves

It will difficult for TAM to attract quality professionals in the transportation industry unless a reasonable benefit package is in place. TAM staff has researched and recommend a reasonable suite of benefits for the Board's consideration. This reasonable suite of benefits is substantially the same as the benefit package the Board agreed to for its Executive Director upon her hiring in July 2005.

In the benefit package recommended for Board consideration are the following:
Retirement (PERS)
Health insurance coverage
Dental insurance coverage
Vision care coverage

Competitive agencies to TAM also hiring from the same pool of professionals also offer the following as benefits to staff:
The employee share of PERS covered by the employer (7%)
Life Insurance
Disability Insurance
Employer contribution to Deferred Compensation

The first element of paying the employee's share of the CalPERS retirement formula is a strong attractor to hiring staff. Market comparison surveying has indicated that a number of agencies choosing this option and demonstrates that this is becoming increasingly a mandatory part of a benefit suite. It is currently part of the PERS contract for your Executive Director and would have to be part of the PERS contract with all other staff IF the staff is hired through LGS. The second two elements, Life Insurance and Disability Insurance, are very modest costs to the employer. TAM staff recommend including these in the benefit suite. The latter element of employer match to a Deferred Compensation plan, TAM staff recommends consideration for future employee benefits enhancement, while also recommending current deferred compensation plan access for employees without employer contribution.

Adopting this suite of benefit options, along with competitive salaries, will ensure that TAM can compete well in the marketplace of transportation professionals.

Benefit and Human Resource Administration options

Staff has thoroughly examined the option of self-administering its insurance, benefits, and human resource responsibilities versus having these administered through LGS. It is important to note that under the self-administer option; cost to acquire and offer some of these employee benefits varies with the level of benefit and availability. Due to the small size of the agency, it will be difficult to find and negotiate cost effective solutions to providing certain benefits to employees as a solo agency, such as vision, dental, long term/short term disability, and employee assistance programs. Typically, employee benefit providers have a minimum “number of employees” requirement prior to contracting with an agency. Smaller agencies have worked through this issue in creative ways such as providing an annual lump sum payment, or a benefit stipend to employees estimated at benefits cost, or forming joint power agreements with other entities to create a larger employee pool. LGS has created a larger pool and so can offer certain services and benefits at a reduced rate to what TAM could offer.

The biggest difference between the self-administer option and the LGS option is the PERS actuarial rate or “retirement rate”. For LGS, the retirement contribution rate is 12.5%. For TAM, PERS has estimated this at 7.6%. The difference is due to LGS having retirees and TAM not having them yet.

The second biggest difference between the self-administer option and the LGS option is the upfront costs TAM will experience in finalizing the set-up of critical policies and procedures, and the ongoing cost of administering human resource needs. Efforts here involve a number of tasks TAM has not yet completed, including personnel policies and procedures, mandatory federal and state reporting upon set-up, and payroll tax reporting requirements TAM will no doubt need to have ongoing staff or consultant support for human resource needs. LGS would provide all of these support elements on an ongoing basis as they do now for the Executive Director.

Regardless of the retirement rate difference, after an analysis comparing the two options, staff have concluded that it is more cost-effective and timely to use LGS as the hiring entity for TAM, providing direct benefits, insurance, payroll services, and personnel policy support and management. LGS estimated monthly cost for these direct services and benefits are reflected in their fee to TAM.

Under the LGS option, LGS provides ongoing human resource management services, benefits administration, insurance, and payroll services, minimizing TAM staff time and expertise necessary to effectively manage everyday HR needs. As well, LGS has the necessary personnel policies in place, covering the applicable federal and state laws. The costs for both of these elements are already included in LGS fee.

Staff recommends that LGS be utilized as the hiring agent for TAM, providing all applicable benefits and services. This arrangement will be in place for the remainder of FY 2005-06, and all of Fiscal Years 2006-07 and 2007-08, roughly 30 months. At the end of 18 months, staff will conduct a review of the contractual agreement with LGS, assessing if the arrangement is still the best option for TAM. Changes to benefits, services, and human resource management services will then be considered, if appropriate, for FY 2008-09 and beyond.

Staff will negotiate a contract/contract amendment with LGS, to come back to the Board for approval. Simultaneously, staff will be reviewing the FY 2005-06 Budget and working towards a FY 2006-07 Draft Budget. As part of the exercise in finalizing a contract with LGS, staff will present a summary of revenues and costs associated with a TAM staffing plan for next year. It is estimated at this time that the cost of benefits as presented in the LGS option will be well within the estimated revenues available for TAM staffing needs.

Recommendation: That the Board direct TAM staff to pursue a contract/contract amendment with Local/ Regional Government Services, LGS/RGS, to act as the Employer of Record for TAM staffing purposes, providing benefits, services, and human resource management needs to TAM. The contract shall be brought back to the TAM Board for approval at a future meeting. The agreement with LGS/RGS shall be for a minimum of approximately 30 months, with a reassessment to be presented to the Board in FY 2007-08.